



Client Case Study

Meggitt PLC adopts integrated strategy to manage energy cost, risk, bill validation and compliance for UK accounts

Our Client

Meggitt PLC is an international FTSE-listed engineering group with its headquarters in the UK. The group employs a workforce of over 10,500 people in facilities across Asia, Europe and America. The Meggitt group history can be traced back to the mid-19th century when they pioneered aviation instruments for hot air balloons, including the world's first altimeter. Today Meggitt's group structure consists of Meggitt Aircraft Braking Systems, Meggitt Control Systems, Meggitt Polymers and Composites, Meggitt Sensing Systems and Meggitt Equipment Group.

MEGGITT
smart engineering for
extreme environments

Our Challenge

As a precision-manufacturing business with significant energy expenditure, Meggitt ensures it procures its energy in the most cost-effective way. In 2005 Beond was recommended to Meggitt by one of its advisors; Beond's unique selling point was the provision of a fully transparent reverse auction, which allowed buyers to utilise the UK's first online commercial energy exchange. After several successful tenders for fixed price electricity and gas, Beond introduced Meggitt to a

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**Pushing the
boundaries in
energy design**

range of alternative hedging strategies with a view to reducing cost and risk. In Oct 2012 Meggitt agreed to adopt a flexible contract to trial procuring gas from the wholesale market, and in 2014 Meggitt selected an additional flexible contract for its electricity.

In 2014 Meggitt, like other large companies, fell into the scope of Article 8 of the EU Energy Efficiency Directive, which requires large EU enterprises to complete regular energy audits in line with the UK's Energy Saving Opportunities Scheme (ESOS). With Beond's support Meggitt is on track to comply with the ESOS Regulations.

Our Approach

The risk strategy which was initiated in 2012 involved:

- The formation of a group of stakeholders to discuss the energy strategy
- A Risk Workshop to give Meggitt a quantitative comparison of the different strategies it could follow
- Examining risk versus reward for adopting a variety of hedging strategies
- The buy in for a collective risk policy
- Quarterly market and strategy review meetings
- Monthly quantitative reviews of budgets, expenditures and energy volume
- Consolidation of all sites into group energy supply contracts
- Exploring the flexible offers available from suppliers in the market
- Negotiating flexible supply contracts for electricity and gas
- Monitoring the key market drivers and wholesale market movements
- Helping Meggitt manage risk on a daily basis

The Results

- Savings of over £250,000 by competitively tendering the supply contracts
- Savings of over £1.5 million from the chosen wholesale procurement strategy
- Savings of over £100,000 from checking bills, investigating complex issues and recovering errors by suppliers
- Delivery of ESOS audits which identified potential energy saving opportunities of over £600,000 per annum

"I am very happy that we chose Beond to source our energy tendering and risk requirements as we believe this has enabled us to improve our energy procurement strategy. Beond's recommendation of a flexible purchasing contract option has helped us benefit from lower prices. The level of quality processes and the advice on risk given to all our stake holders during all discussions made energy risk management understandable and easier to implement."

Lloyd Scott, Group Category Manager – Indirects (Europe), February 2016

About Beond

With over **500** major energy consumers under our management we have an excellent track record in delivering measurable success.

25

No. of suppliers actively participating in Beond tenders

9

No. of different suppliers currently used by our large flexible clients

2128

No. of live auctions completed in 2015

27

Highest number of bids in 2015 for a competitive auction client procurement tender

25%

Reduction in non-commodity infrastructure costs through demand management strategy

15%

Average potential energy savings identified from ESOS energy audits